

OFFICE OF THE DIRECTOR

Approved For Release 2004/03/17 : CIA-RDP80M00596A000200010005-9

Date: 11 January 1979

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TO:   
FROM:   
SUBJECT: Annual Report Part I

( Other edits  
added to

REMARKS:

Diana -

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Attached is an edited version of what you sent me early this week. Mostly it is an effort to improve readability by tightening up, reducing redundancies, and simplifying sentence structure.

A couple of substantive changes which I think will cause you no problem but which you should look over are:

- o p 14 - I've changed a couple of sentences in the "Predicting Political Upheaval" para, and
- o p 19 - last para to the end has been rewritten in part dropping some of the detail.

Standing by for Part II.



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10 January 1979

[ DCI'S ANNUAL REPORT ]

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## I. THE YEAR 1978 IN RETROSPECT

### IMPLEMENTATION OF THE NEW EXECUTIVE ORDER

In 1978, organizational change began to have an impact for improvement in the United States Intelligence Community. After almost a year of study and debate, on 24 January 1978, the President issued Executive Order 12036. This new order governed the organization and conduct of intelligence. Six aspects of this order deserve particular attention because of the <sup>e</sup>ffect they have already had on the process of intelligence in our country.

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#### 1. Priorities

The cornerstone of a good intelligence operation is that it satisfies consumers' needs, both by meeting the needs which they have today and by preparing to meet those which will most likely arise tomorrow. By various means and with varying degrees of success over the years, the American Intelligence Community has solicited its consumer' assessment of their needs. But, more often than not, the Intelligence Community itself set its own priorities.

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National Security Council, the Policy Review Committee on Intelligence (PRC[I]), composed of the Vice President, the Secretary of State, the Secretary of Treasury, the Secretary of Defense, the Assistant to the President for National Security Affairs, the Chairman of the Joint Chiefs of Staff, and chaired by the Director of Central Intelligence. In August the PRC(I) produced two lists of National Intelligence Topics (NITs). One listed 67 topics with specific points of emphasis in seven key areas which the committee members believed would be important to them in the next 6 to 9 months. A second list of 42 specific topics in seven general areas was considered of longer term concern. These two lists replaced the Key Intelligence Questions but have greater import because the intelligence users participated in their formulation and because they provide more detailed, specific guidance to both the producers and the collectors of intelligence.

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The producers, <sup>led</sup> by the Director of the National Foreign Assessment Center, have taken each NIT and analyzed the work being done and needed to be done to satisfy that topic. While heavily burdened with more tasks than they can normally accomplish effectively, including departmental requirements, producers throughout the Intelligence Community have accepted a share of this additional effort. Frankly, despite this, there is still difficulty in obtaining the necessary redirection of effort to ensure satisfaction of the National Intelligence Topic requirements. At the same time, this initial adjustment has created a greater perturbation to the system than will subsequent iterations.

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On the collection side of intelligence, the Collection  
Tasking Staff is utilizing the NITs to adjust the Community's collection  
priorities, including adjustment of the Director of Central Intelligence  
Directive [redacted] an Intelligence Community validated matrix of  
collection priorities by topics and countries--to follow the NITs and  
their PRC(I) assigned priorities. [redacted]

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In sum, the process of involving top consumers in the estab-  
lishment of priorities is off to a good start. Updatings are called for  
every four months. The first one in December was, frankly, not very  
successful but it was both a new process and a particularly busy season  
for intelligence in substantive international developments and in  
program and budget development. Our challenge will be to ensure that  
the same high-level attention given to the NITs last August persists in  
the future, so that the topics do represent consumers' needs and not  
Intelligence Community beliefs of what those needs are. [redacted]

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## 2. Budget Preparation

A second major provision of the new Executive Order is that  
the Director of Central Intelligence (DCI) "...shall, to the extent  
consistent with applicable law, have full and exclusive authority for  
approval of the National Foreign Intelligence Program budget submitted  
to the President." Previously, the DCI had chaired a committee that  
established the National Foreign Intelligence Program budget by consensus  
trading. The new arrangement, in its first full year of operation, has  
already made it easier to define the national intelligence goals which

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should drive the budget, and made it possible to establish priorities among budget items. This has permitted the integration of the submission of the several program managers rather than simply interleaving them on an equal basis. The new process also makes it easier to surface objective analytical comparisons between competing or overlapping programs as a check that my judgment of ~~budget~~ what priorities are appropriate is not skewed from that which would best serve the country. The PRC(I) on three occasions during this past year reviewed the budget as it was being prepared and after its submission to the President. The PRC(I) was free to make separate recommendations to the President if members did not concur in the budget's structure. In this instance the PRC(I) did not dissent from the budget I submitted. However, its advice in the preparatory sessions was of great value. Overall, this first experience with the new budget preparation process went very well.

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### 3. Intelligence Collection

A third highlight of the new Executive Order is its establishment of a National Intelligence Tasking Center (NITC) under the DCI to coordinate and task all national foreign intelligence collection activities. The profusion of new and in many cases esoteric technical means of collecting intelligence over the last decade demands that we apply the best mix of collection techniques to each problem, that we not waste capability through unnecessary duplication of effort, and that we not inadvertently miss important collection opportunities because one collection system assumes that another is doing it. Because the operational control of technical and human intelligence collection systems is

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spread across almost a dozen different agencies and organizations, there is a genuine need for a focal point of coordination. In the past, this has existed only in the DCI collection committees on signals, human and imagery intelligence. Each of these committees did a fine job of coordinating the assets within its own discipline, but by the same token were limited to their respective disciplines. NITC's task is to maximize return while minimizing cost and risk through the best application of systems from all three of these disciplines. It is not NITC's task to determine how individual collection systems shall be employed, but rather which ones are best for any given intelligence topic.

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By the close of the Congressional session in October, the Congress had authorized the establishment of a Deputy Director for Collection Tasking who would be responsible for the three collection committees as well as establishing the NITC to coordinate them. This action divided what had been known as the Intelligence Community Staff into two separate segments: a Deputy for Resource Management who supports the DCI's responsibility for preparation of the national intelligence program and budget, and a Deputy for Collection Tasking who manages the NITC. It is far too early to judge the success of the NITC concept, but it appears to be off to a good start and filling an important void.

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#### 4. Production of Intelligence

The new Executive Order charges the DCI with the responsibility for the production and dissemination of national foreign intelligence, cautioning him to "...ensure that diverse points of view are

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considered fully and that differences of judgment within the Intelligence Community are brought to the attention of national policymakers."

Importantly, the Executive Order clearly leaves the production agencies of the Defense Department, the State Department, the Treasury Department and the CIA independent, competitive and intact, and ensures that when they have different viewpoints, those viewpoints shall not be stifled. We have attempted to reaffirm this latter point in several ways.

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[Redacted]

The National Foreign Intelligence Board, on which all of the principal agencies of the Intelligence Community are represented, reviews and discusses every major national intelligence estimate. On such occasion, members of the Board have an opportunity and a clear responsibility to ensure that the DCI is aware of any divergent views which they believe are not adequately represented in the text of the estimate. I have also directed that dissenting views, which were formerly elaborated in footnotes, <sup>should be</sup> be moved up and integrated into the text itself. I strongly believe that when a differing opinion is well founded on valid analysis and logic it should be placed directly in juxtaposition with the major opinion. <sup>thus,</sup> [so that] the reader can understand the difference and have a basis for exercising his own judgment. Beyond this, the Director of the National Foreign Assessment Center has created a distinguished Review Panel composed of three senior and independent professionals from the fields of diplomacy, the military, and economics. This Panel is charged with reviewing the Intelligence Community product in process and upon completion. To protect their objectivity, they are

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They make suggestions of the Director of the National Foreign Assessment Center and myself regarding the substance and quality of estimates.

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### 5. Counterintelligence

The Executive Order provides that another committee of the National Security Council, the Special Coordination Committee, chaired by the Assistant to the President for National Security Affairs, and composed of the Secretary of State, Secretary of Defense, the Attorney General, the Director of the Office of Management and Budget, the Chairman of the Joint Chiefs of Staff, the Director of Central Intelligence, and the Director of the Federal Bureau of Investigation, "...shall develop policy with respect to the conduct of counterintelligence activities," resolve interagency differences, monitor counterintelligence activities, and provide the President with an overall annual assessment of them. The activities of this committee have already generated renewed attention in a previously somewhat neglected counterintelligence function. Beyond that, I am pleased to report that with this stimulus the necessary linkage between FBI and CIA counterintelligence activities ~~have~~<sup>s</sup> been revitalized. Specific new coordinating mechanisms between these two agencies have been established, the exchange of counterintelligence data between them has been greatly expanded, and the periodicity of consultation between them ranging from the level of the Directors downward has been greatly increased. In sum, the counterintelligence function is receiving much needed, additional attention today.

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6. Restrictions

One whole section of the new Executive Order established restrictions on various intelligence activities, particularly those which affect the rights of American citizens. These restrictions are an extension and clarification of those enumerated in the previous Executive Order (E.O. 11905, 15 February 1976). They and the entire Executive Order were developed in close consultation with the Senate Select Committee on Intelligence (the corresponding committee of the House not having been in being during most of the formative period), thus establishing a new degree of cooperation in intelligence between the Executive and Legislative Branches of our government.  25X1

The same cooperation has been extended in the opposite direction throughout 1978 as the Senate Select Committee on Intelligence developed and held hearings on legislative charters for the Intelligence Community. We are hopeful that this will enable us to have charters and an Executive Order which will closely dovetail with each other.  25X1

RELATIONS WITH THE CONGRESS, THE EXECUTIVE AND THE PUBLIC

In 1978 the relationships between the Intelligence Community and the Congress, the agencies and departments of the Executive Branch, and the public have evolved importantly.  25X1

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two Committees requesting written explanations of actual or alleged intelligence activities. Subcommittees investigated and reported on \_\_\_\_\_ activities. And, staff members conducted approximately \_\_\_\_\_ investigations of various aspects of intelligence. From my perspective, the benefits of this oversight process more than counterbalanced the cost of the effort required. Accountability is an essential element of the effective execution of delicate responsibilities such as are entrusted to us. The added, external accountability of reporting to the Congress keeps us particularly on our toes.

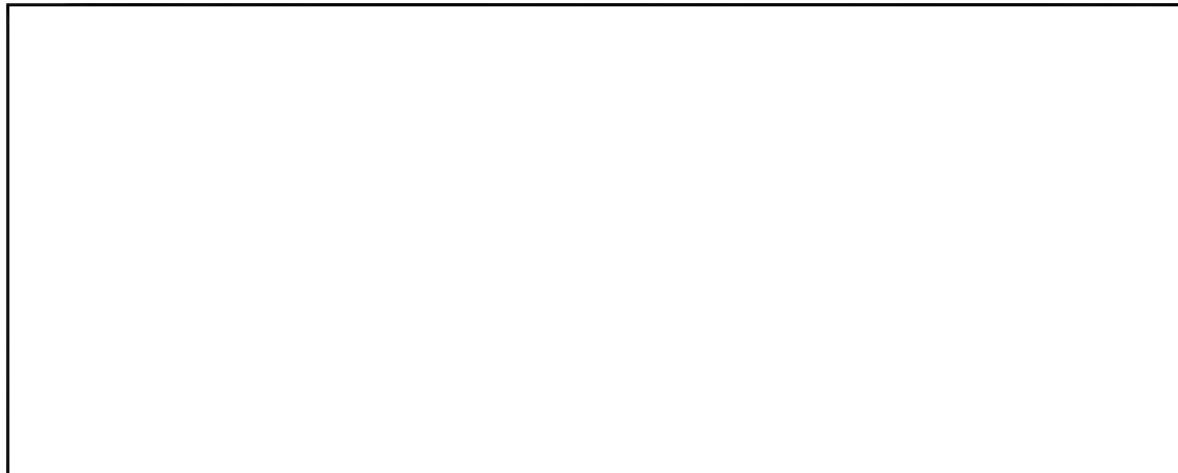
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The Executive Branch

This past year we made a number of efforts to provide more complete service to those Cabinet Officers such as Commerce, Treasury and Energy who are not fully involved in intelligence matters as are Defense and State.

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The Public

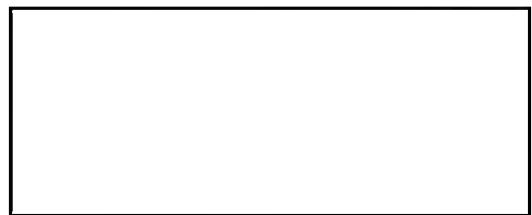
A policy of greater openness with the American public is paying dividends in terms of a better public understanding of what the Intelligence Community does and as a consequence, a restoration of deserved confidence in intelligence activities. This openness is manifest in a number of ways. One is the more frequent publication of analyses and estimates which can be declassified. Another is more forthright responses to media inquiries. A third is a more open and active dialogue with American academic specialists, including active cooperation in drafting guidelines for academic-intelligence relationships with a number of universities; a dialogue with university presidents who visit us to exchange views; speaking on more than a dozen American campuses to date; and increased participation in symposia, conferences and other academic meetings, including the presentation of professional papers by our personnel.

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We have also worked to strengthen our traditionally good relationship with the American business community. In particular, we have sought out ways to determine which of our analyses and estimates, if declassified, would be of greatest interest and value to the American business community.

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Estimating

The estimate, warning notice, or other significant analysis is the end product upon which our efforts should be judged. We have made several important steps forward in the techniques and presentation of analysis in this past year. We have adopted a new method of presenting our estimate of the complex balance of strategic nuclear forces between ourselves and the Soviet Union. Counting and comparing missiles, warheads, throw weight, etc., has never been a very satisfactory technique for conveying the real nature of the strategic balance. We have instead translated those and other characteristics into subscripts of theoretical destructive capability in different circumstances. From this, both the comparative quantity and the quality of the forces emerge more clearly to the reader.

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In another estimate on Soviet intentions, we took still another new approach. This subject is so nebulous *that* it is impossible to develop any useful simplified subscript. Instead, we asked a small group to write a relatively short discursive essay. We then permitted critique of the essay only in matters of major substantive judgment, not on less central issues, or on form and wording. The result was a thought-provoking piece which was used and appreciated at high levels in the Executive Branch and which brought out the key issues affecting Soviet global intentions, including the key areas where viewpoints diverged.

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evidential and analytical uncertainties underlying important judgments about energy supply and demand projections. Our energy projections have led the field and are becoming increasingly recognized for their high validity.

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Teamwork

[ The provisions of the new Executive Order have fostered a greater sense of Community outlook. With it we have tried to heighten the sense of and opportunity for Community teamwork through a weekly conference call and a monthly breakfast with all program managers, and we have had one very useful weekend retreat to discuss Community matters. ]

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SUCCESES AND DISAPPOINTMENTS IN 1978 - THE DISAPPOINTMENTS

There are three areas where we would like to have done better this past year.

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Security

There were far too many leaks of sensitive intelligence information. Some of these were caused by former intelligence officers, some by unknown persons. There was one grave case of espionage by a man named Kampiles.

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Kampiles incident have been considerable but clearly not nearly successful enough. CIA has taken a look at its career management program from the standpoint of its security implications; reemphasized security indoctrination and reinvestigations, including repolygraph; instituted surprise and later blanket inspection of packages and briefcases leaving CIA buildings; and imposed more thorough document accountability and handling procedures.

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The Attorney General has been extremely cooperative. The Department of Justice's successful <sup>lawsuit against</sup> ~~prosecution~~ of Frank. Snepp for violation of his Secrecy Agreement should help considerably in helping us move toward an enforceable standard of security. Still, the loss of highly sensitive information about our human sources and our technical methods of collecting intelligence remains the single greatest threat to intelligence activities. We need to tighten security within the Community more. We also need some form of legislative assistance (more on this below).

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#### Predicting Political Upheavals

In November a spate of media stories exaggerated reports of an intelligence failure in connection with Iran. Clearly, we would like to have done better in supporting our policymakers with respect to Iran. But, in Iran as elsewhere, the probability of predicting when dormant internal political forces will coalesce and cause an explosion will never be high. We could and should have emphasized the dissident

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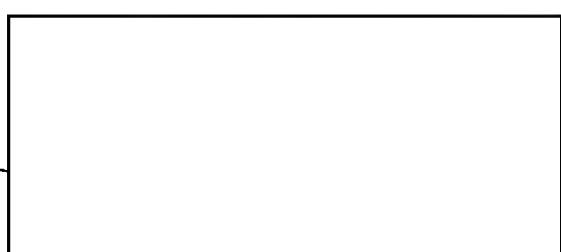
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We were aware of these strains, but in hindsight we did not highlight them ~~near~~ enough. Then too, there is always the problem of ~~determining the~~ <sup>deciding whether to risk being</sup> ~~an~~ <sup>on the other hand,</sup> degree of indication which pushes what would be an alarmist response to <sup>or a truly reporter of bad news on the other</sup> events today to a responsible warning tomorrow. Without making excuses, <sup>a friendly, good,</sup> <sup>Cell mail</sup> <sup>on our newsmen</sup>

I would point out that this example also typifies the problem of collecting sensitive intelligence in friendly countries. In Iran, clearly, we were inhibited on the one hand by our desire not to appear to undercut <sup>the</sup> Shah and on the other by the pervasiveness of his own intelligence <sup>on our newsmen</sup> apparatus. <sup>for 2/27/79</sup> <sup>prod 2</sup> We could have done better and shall.  25X1

#### Support to Congress

While we have emphasized extending our support to as many of the Cabinet Officers as possible, our parallel efforts to reach more committees of the Congress have not borne as much fruit as we had hoped. Nearly every committee in the Congress involves itself in some aspect of international relations. There must be a greater need for information on international trends and events by committees other than our regular consumers in foreign affairs and armed services than we are now fulfilling. Our efforts to bridge the gap and determine where our product can be used have uncovered some new needs but have probably just scratched the surface.  25X1 25X1



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other six arms control agreements we are negotiating with the Soviet Union will present important new challenges. Some agreement provisions are very difficult to verify. Others will require prodigious amounts of satellite imagery and ingenuity in cracking the especially difficult level-of-confidence problems. Sophisticated planning in balancing treaty verification requirements and other intelligence needs will be essential.

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One area in which our national technical systems have much broader application than we have developed today is in support to our military tactical commanders. We have done some important work in testing the ability of these systems to support military combat operations, yet we have barely begun to explore the possibilities. Our ability to rapidly develop capabilities to fill military commanders' needs is very important; it is important to avoid underutilizing national assets and to avoid the near duplication of national systems with tactical systems when not absolutely necessary.

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On top of this continuing expansion of technical collection requirements and capabilities, I anticipate <sup>that will be</sup> in the years just ahead a widening need for good human intelligence. Human intelligence specializes in human intentions. When we can uncover the intentions of the Soviet Union, we have really made a major step forward. That is obviously the most difficult challenge confronting the intelligence collector. But, because we are increasingly dependent on and involved with many non-communist countries, the requirement for good human intelligence outside

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the Sov ~~Approved For Release 2004/03/17 : CIA-RDP80M00596A000200010005-9~~ Here the prospects for obtaining what we need are better, but the risks are high. We do not like to have our intelligence activities uncovered by the communist nations. Such exposures represent serious losses. But the US Government is more embarrassed if intelligence activity is uncovered in a friendly nation. Hence, human intelligence today requires better cover and better tradecraft. Tradecraft is the techniques used in carrying out human intelligence collection activities. We shall have to live our cover better, which is costly in terms of efficiency; we shall have to ask for better cooperation from numerous other government agencies; and we shall have to rely more

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[redacted] Again, cover and good tradecraft are costly in time and effort, but there is no alternative if we are to be effective.

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[redacted] The quantitative flow of intelligence both technical and human is steeply increasing. This burgeoning volume of information provides us with its own severe challenges. We must rely more on data processing to sift and collate raw data. We must also rely on data processing to help us manipulate and analyze that data. Our fledgling efforts to rationalize and ensure compatibility of Intelligence Community-wide data processing systems will have to be accelerated. [redacted]

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The ultimate value of raw data is achieved only through first-class analysis. One of the challenges of the years just ahead is to attract, develop and retain an adequate base of analytic expertise. I am worried that today our nation's educational foundation in many areas important to intelligence is withering. Fewer individuals possess both a foreign

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cartography, etc. Many such dual requirements are unique in the intelligence field. There is serious doubt whether the American academic community can supply our needs.

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Beyond this, we face challenges in continuing to find young people who are willing to serve overseas. The increasing incidence of working married partners inhibits the usual eagerness of young people for overseas assignments. We also find that while recruiting for the human intelligence area in general is quite satisfactory, the willingness to undertake the restrictions of a long-term clandestine life overseas is not as prevalent as it has been and as is necessary. Overall, the attraction and retention of top quality people must be one of our top priorities.

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Finally, the year ahead is important with respect to the restrictions on intelligence activities. It will soon have been three years since the end of the Church Committee's investigations. In this period, much thought and attention has gone into how to reconcile the freedoms of a democratic society with the secrecy which is necessary and inherent in intelligence activities. This dilemma has been aired adequately to permit us to legislate the authorities and the limitations on intelligence operations that are appropriate. In my view, the country is in a judicious mood. We are highly conscious of the desirability of avoiding future abuses, yet most thinking Americans recognize the need to have an effective intelligence capability. We need <sup>a</sup> the balance of fully authorized intelligence activities, and those activities which are either prohibited

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outright Approved For Release 2004/03/17 : CIA-RDP80M00596A000200010005-9 controlled activities on the other.

Our carefully developed oversight process is intended to assure that both prohibitions and ~~injunctions~~<sup>controls</sup> are being followed as intended. The time is ripe for a renewal and updating of the legislative charters. The window of opportunity may be narrow. We must move expeditiously.

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